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NATIONAL REVIEW

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The Republican Party has been looking half-heartedly for a strategy which will unite its organic appetite, as a political party, for power, with a true sense of political mission. Up until now, the procedure has been to accept the Democratic program less a token constant. That formula plus Eisenhower brought the Republican Party to power for eight years; but Eisenhowers are not readily available; and in any case, though the party continues to like Ike, the dismaying emptiness of his Administration is assaulting even the most insulated consciences.

Ever since Nixon's defeat, a few tough analysts within the Republican Party have urged the party elders to look hard at the statistics of the election, and face up to the real problem: which is, at least in part, that it simply does not make political sense to organize a platform designed to woo certain minority groups, primarily those that cluster around the big cities, which just don't come around on election day. All that Messrs. Eisenhower and Nixon did that was especially calculated to appeal to Puerto Rican, Mexican, Jewish, and Negro voters went unrequited last November. The *Wall Street Journal's* Robert D. Novak reasons that the Jews will not under any foreseeable circumstances desert the party of Roosevelt, to join the party that was isolationist while the Jews in Nazi Germany were being terrorized; and that the Puerto Ricans and Negroes care primarily about economic benefits, not civil rights, and continue to believe that Santa Claus is a Democrat.

"Why not," these analysts are whispering, "give up the ethnic-centered approach to groups that go in any case 10 or 15 to 1 against us—and make strategic appeals to more conservative ethnic groups, to the white Protestant native stock, and such assimilated immigrant groups as the Irish, the Germans, and the Italians?"

How to appeal to them? By a policy of firmness abroad, a strategically intelligent program aimed at containing and ultimately neutralizing the Soviet threat; and at home, a policy aimed at arresting inflation, relaxing federal powers; the Newburgh approach to welfarism; the revolt against the masses.

The Republican leadership is not sold on the idea, and Rockefeller cannot, given the need to maneuver in New York, acquiesce in it. But the man who does, and who dramatizes the vision of a new Republican Party, might win over the party and the nation.

The WEEK

● In Stanleyville last week, Col. Benjamin Matlick, U.S. Air Attaché to the Congo, went with his wife to photograph the monument to Patrice Lumumba. Surly policemen arrived, thrust a broom into his hands, and ordered the colonel to sweep the steps. The colonel took up the broom and swept the steps. His wife giggled with the policemen: "You should come to my house and get him to do the chores." Have patience, Madame: the Congo types will be at your house and in your house soon enough, and stateside too: all it takes is a few more bootlicks from Col. Matlick and his type up and down the chain of command. And you and your complaisant colonel can do all the chores together.

● The noted impresario, Edward Bennett Williams, picked Friday, October 13, for a new presentation of his star vedette, James R. Hoffa, before the bright lights of the Senate's Internal Security Subcommittee. The audience, led by Senator John L. McClellan, was in particular absorbed by Mr. Hoffa's unconditional defense of the mutual assistance pacts which he has lately concluded between his Teamsters and the Communist-led International Longshoremen's and Mine, Mill and Smelter Workers' unions. Although both unions were thrown out of the CIO as Communist-dominated, and nine Mine, Mill officers are under conviction (now on dragging appeal) for perjury when signing non-Communist affidavits, Mr. Hoffa could not—"not to this day"—find any reason to believe either of them tainted. To Senator McClellan he summed up his comparative estimate: "Harry Bridges is trying to help the labor movement and you are not." The Senate of the United States, of course, doesn't in the least faze him or his bullyboys. "I hear this show is going to close in New Haven," a sidekick whispered loudly midway through the hearing.

● The Communist youth movement in the United States, defunct only four years ago, has come back to life, according to recent testimony before the Senate Internal Security Subcommittee. In its report, "Communist Appeal to Youth Aided by New Organizations," the Subcommittee publishes extensive testimony from Herbert Romerstein, a former young Communist who is now a dedicated anti-Communist. The leading front organization serving the Communist youth apparatus, says Romerstein, is called Advance. Its activities are centered in New York City, and it has close ties with chapters of the Fair Play for Cuba Committee. Advance, he adds, is part of the Progressive Youth Organizing Committee, which held its organizational meeting in Chicago last New Year's weekend. The man who ran this meeting was Daniel Rubin, National Youth Director of the Communist Party and editor of *New Horizons for Youth*.

● For a long time the Communist bloc has made of postage stamps a major weapon in the War For Men's Minds. Gaudy, propagandistic issues are printed daily and distributed below cost or actually free among the "neutral" nations. Philatelists throughout the neutral bloc have their collections loaded with Communist issues. Out of the West, nothing: for there is the problem of money. Solving that problem, and taking action that has been well received, Freedom Stamps (220 West 42 Street, NYC) solicits any and all new or used stamps of U.S. issues (except the common 2¢-3¢-4¢ franks). It's a zero-overhead operation: no budget, no income, all services donated. The kind of thing that might actually do some good, and therefore the kind of thing the myriad official agencies of our well-being will ignore. The job, as always, will be done by citizens: philatelists, one and all.

Tarentel Press

● In September the Trades Union Congress, the national representative body of the British trade union movement, held its annual meeting. Among its actions: 1) it upheld an earlier decision not to send a delegation to Moscow; 2) it restated its opposition to contacts between British and Soviet trade unions; 3) it expelled the Communist-dominated Electrical Trades Union; 4) it approved of Britain's entry into the European Common Market; and 5) it reversed, by a vote of 5.7 million to 2 million, last year's resolution urging unilateral nuclear disarmament. Good show.

● Twelve years ago, anyone who got his hands on a copy of George Orwell's *1984* might have thought Orwell had gone too far into fantasy when he had the telescreen bark at his hero. "Smith! 6079 Smith W! Yes, you!" People calling each other by numerals? Impossible—but that was twelve years ago. Now it's 1961, and time is running out; we have a schedule to meet, a rendezvous with Ingsoc; and President Kennedy has signed into law a bill requiring all taxpayers to have numbers for names and to use their numbers when paying their blood. It was bound to come. As one of our editors (press card #15, driver's license #9544801, auto registration #3517982, library cards #21124 and B-106, AF Reserve AO-2222858, Standby Reserve #50-7-28-156 AF, blood type O positive, commercial pilot license approved by 4176-08-1, FCC radiotelephone permit by 2G4267) said recently, "It's not so bad as all that; maybe after ten years of good behavior they'll let us use our initials."

Bangs for Peace

As he rounded the turn into the sixth hour of his keynote marathon, Khrushchev mellowed into a geniality that recalled his predecessor and master when the old barbarian decided it was time to appear benevolent. "The victory will be ours in peaceful competition and not through war" —"We shall do everything to strengthen peace throughout the world"—"The Soviet Union will continue to strive for the easing of international tension"—the mellifluous phrases soared into the vast new auditorium.

To prove he meant what he was saying, K. let the delegates in on a convention surprise: the peace-making nuclear test series that had begun a month before would, he announced, carry on to a climax and "probably end" with history's biggest Bang for Peace on October 30 or 31: a 50-megaton (the equivalent of 50 million tons of TNT) explosion.

The Russians obviously planned their current series for many months—over the entire three-year period of the moratorium, possibly. The series is extensive and varied enough to show that, by it, their technicians are bringing up to date, and experimentally confirming, the theoretical and laboratory advances achieved during those three years. This means an enormous upgrading of their nuclear armament.

Mr. Kennedy has so far restricted our own tests to a few low-yield underground explosions that cannot substitute for a planned sequence of atmospheric tests, and do not serve in the development of the all-important anti-missile missile. One wonders what purpose, other

than the enemy's, can be served by our continuing restraint? The Belgrade neutralist meeting proved the futility of worrying over one's "public image" in "world opinion." When K. finishes up, a week from now, he may very well propose a resumption of the test moratorium. By that time the U.S. will, let us hope, have embarked upon an inflexible schedule aimed at maximizing our nuclear strength and versatility.

UN Grotesquerie

On October 11, South Africa's Foreign Minister Eric H. Louw, as head of delegation, rose in the UN General Assembly to present his government's point of view, as was his duty. His remarks were addressed to three topics:

On the first topic, Mr. Louw found that in the UN "there are Member States that . . . pose as the champions of human rights, but who close their eyes to the fact that these principles are not honored in their own countries. Among these are the delegations of Russia and her satellite countries. . . . They strongly urge the right of self-determination, provided it is applied only to territories not under their control."

He quoted from the London *Times* the facts about the UN's near-bankruptcy, and reviewed "the action taken by the UN forces against President Tshombe of Katanga . . . , creating those very conditions which the Organization was supposed to prevent. I personally am inclined to describe [the military action against Katanga] as aggression, with resultant conditions of chaos."

On the topic of the sudden birth of twenty-three new African nations, Mr. Louw cited evidence and the opinion of several native African leaders that suggested some caution about the consequences of such a rate of political change. He also questioned the belief of many anti-colonialists in the United States, Europe and the UN that the Western parliamentary system of government and political parties "could be grafted on to the traditional customs and practices of the African peoples. . . . It simply does not work that way. . . . It is a foreign plan that will not thrive on African soil." He mentioned developments in Ghana, Mali, Guinea, Ethiopia and Liberia as relevant evidence.

On apartheid Mr. Louw offered statistics on what he regarded as proof that the non-whites (Bantus) in South Africa are far better off in economic, medical and social terms than any other black African population. He argued for the historical legitimacy and political viability of the apartheid solution of South Africa's racial problem.

Mr. Louw's assertions about the socio-economic state of the South African Bantus are self-serving, but capable of objective verification. His pro-apartheid arguments were *ex parte*, but they were given in sober terms that invite rational discussion. In his comments on the general situation of the UN and Africa, Mr. Louw merely summarized—in moderate language—what every informed person in the world knows to be the plain truth.

PEOPLE: President **Prado** of Peru asking for immediate conference of all OAS foreign ministers, to take action against Castro. . . . Recent *Pravda* announcement of new institute to sweeten relations with American business, headed by Mme. **Khrushchev,** former political science professor. . . . Columnist **Hal Hendrix** of Miami *News* scolding "collective cowardice" of OAS nations. . . . **Castro** counts 160 Americans in Cuba, ignores 100,000 Cubans exiled in U.S. . . . Eyes of Texas (and elsewhere) on San Antonio November 4, special election race between Liberal Democrat **Henry Gonzales** (popular name there) and conservative Republican **John Goode** (on a rising tide of GOP strength in Alamo city).

Available from his office, Sen. **Thomas J. Dodd's** "The Crisis in the Congo" (collected Senate speeches) . . . Sen. **Fulbright** in October issue of *Foreign Affairs* demolishes UN, suggests alliance of free nations. . . . German press (*Die Welt*) assuming **Nixon** will run for Presidency in '64. . . . Ghana Defense Minister **Adamafio** and 400 Ghanaian cadets off to Moscow for training. . . . In **Macmillan** cabinet reshuffling, **Iain McLeod** shunted out of Colonial Office: signifying a hardening of British policy toward Africa? . . . **Mongi Slim** of Tunisia of Greek blood, native tongue French. . . . Now in Regnery paperback, **Buckley** and **Bozell's** *McCarthy and His Enemies*. . . . Fresh on newsstands, Vol. I, No. 1 of weekly newspaper *Washington World* (editor, **Ralph de Toledano**). . . . **Cheddi Jagan,** Communist head of British Guiana, on NY television show, says **JFK** Administration, despite domestic opposition, moving toward anti-imperialism: "definite improvement."

In **Jack Paar's** absence, **Orson Bean** emceed TV show with two SANE boys knocking FBI, poohpoohing civil defense; next night, Bean out, Paar in. TV net said announcement of Paar's expected absence a "mistake"—too many protesting phone calls? . . . **Herman Will,** functionary of the Peace and World Order Division of the Methodist General Board of Christian Social Concerns (not a Baptist front), says church people must prepare for eventual (inevitable?) seating of Communist China in UN; failure to prepare, says Will, might cause "disaffection" for the UN among churchgoers. . . . **Pierre Mendès-France,** former Premier in French Fourth Republic (not a democracy—let's keep it that way), who gave Vietnam away, working for coalition to fill **de Gaulle's** place: wants to get into office while there's still something left to abandon. . . . FLN in Algeria, after meeting: she's engaged, she's lovely, she uses **Soapy Williams.**

One after another, African potentates took the platform to heap invective and insult on Mr. Louw's head. (It goes without saying that there was not a word of counter-evidence or rational refutation.) Having thus flayed their victim, the members then suitably roasted him by the passing of a vote of censure, 67-1 (the one being Mr. Louw, who stood calmly at his lonely post whence all but he had fled).

Many European nations and a scattered few from the other continents either "abstained" or (with the United States) had themselves recorded as "not participating." The shameless proceedings ended, appropriately, at their abject nadir when the chief U.S. delegate, Mr. Adlai Stevenson, the well-known moralist, after having stayed meticulously away from the Assembly Hall during the entire episode, arrived to declare—after the voting was finished—that the censure motion "should have been given more serious and thoughtful consideration."

Caution: Lab Man Working

Dr. James Bryant Conant has issued another study of American education, entitled, *Slums and Suburbs: A Commentary on Schools in Metropolitan Areas.* One of his principal themes is the cry for more money, especially federal: 300,000 jobs in federally-financed urban public works; more money for slum schools; more money for school guidance programs for youths until they reach 21; more money for courses (such as auto repairing) for untalented youngsters; federal money for non-discriminatory employment opportunities for youngsters who drop out of school; more money for Negro slum schools; more teachers, more pay for teachers, more training for teachers; more money for adult education programs. Ho hum.

But Conant also advances some more original notions: the improvement of Negro schools rather than transporting Negro youngsters from their school districts into pastel schools nearby (a suggestion that has raised howls in predictable quarters); "education" of both parents and children in wealthy suburban areas to the "realities" of college admission (translation: Johnny *must not* go to Harvard if Johnny is dull, even if his old man has the fare); "prestige colleges" to be used as training grounds for very bright students heading toward graduate work and the professions; high schools to attract students (the bright ones—the rest are cleaning spark plugs in the basement) to a broad program of study.

In sum, the encouragement of the intellectually gifted (which we favor) through bureaucratic selection (which we abhor): from a competent chemist, the test-tube approach to humanity. The elements are assumed to be present and visible from childhood, the planners are presumed to be competent laboratory technicians, the elements are to be combined in just the right proportions—and PRESTO! we have that rare confluence, the Educated Man.

• The Investor •

Washington

Dwight Eisenhower, no doubt about it, has become more combative in recent weeks, and the *casus belli* appears to be Kennedy's spending program. Close observers of Mr. Eisenhower are encouraged by the old gentleman's creeping bellicosity, for he is still a formidable public asset of the Republican Party. However, they are distinctly aware of Eisenhower's vulnerabilities. The Kennedy program is extremely expensive, but so was the Eisenhower program, and though the graph is up, the angle of change is, viewed with proper historical perspective, barely discernible, as can be seen by contrasting non-defense spending the last year under Truman ($34 billion) with non-defense spending the last year under Eisenhower ($37 billion). They wonder, also, that Eisenhower should have taken up the matter of inflation rather than the dismal performance of the Kennedy Administration abroad. The reason may be that Eisenhower intuitively realizes that Kennedy's fiascoes are a direct projection of a foreign policy Eisenhower maintained with a romantic determination over a period of eight years. Eisenhower's insistence that Kennedy accept responsibility for the sale or rather gift of 130 jets ($10,000 apiece for jets that cost, quite literally, more than their weight in gold) to Tito (see below) is an implicit disapproval of that strange act of innocence. This may, then, be the beginning of a break by Eisenhower with the current Administration on foreign policy. Nothing could cheer the party more.

There are grave apprehensions around here about U Thant. To begin with, Burma was the first nation on the periphery of China to submit, more or less voluntarily, to the influence of the Communists when they took over China; and after ten years of conciliation, the idea has got into the minds of most Burmese that the only way to get on with the Communists is to give in to them. More specifically, U Thant is said to have given his word to Gromyko: vote for me and you'll have nothing to fear—believe me. Others in Washington, however, believe the ascendancy of a member of the colored races to the putatively highest post on earth will give a sense of psychic security to the members of the Arab-Asian bloc that may cause them to be more reasonable, and more realistic in handling the problems that come before the United Nations. The Administration is at this point prepared to take just about anybody in preference to the troika principle. What may happen is that the Americans will get a victory by avoiding the troika, and the Communists will have their man in—without a troika, *i.e.*, without a U.S. veto on the Secretary General.

Is the White House presidium going in for "political commissars"? The question was first murmured, in discreet corners of Georgetown drawing rooms, as details of the word- and brain-washing of the military rained down in the fallout from the Fulbright Memorandum. It is repeated a little more loudly after the announcement, buried in a parenthesis of one news dispatch, that Walt Whitman Rostow traveled to Southeast Asia at General Maxwell Taylor's shoulder. Why Rostow? His academic and literary career does not disclose any special acquaintance with the tactics of guerrilla warfare. But Leon Trotsky, after all, had never led so much as a platoon when he took command of the Red Army. Trotsky had a systematic set of political ideas related to the crisis of our time. And so does W. W. Rostow, as everyone knows who has read his schematic and controversial *Stages of Growth.*

On the other hand, Rostow can be very tough in dealing with tactical problems posed by Communist imperialism, and is said to have been among those who urged Kennedy to support with air cover the expeditionary force against Cuba. Most Washington insiders agree that Rostow's office is becoming the ideological and power center of the White House. There is still disagreement—and deliberate obfuscation, perhaps—on exactly which way Rostow is pulling, or pushing.

After tut-tutting Tito for endorsing the Soviet Union's nuclear tests, the Administration had planned to let the dust of Belgrade settle long enough for the voters to forget who said what when. Then came the disclosure by the *Dallas News* that four Yugoslav pilots are training at Perrin Air Force Base, Sherman, Texas. Next day Senator John Tower blew the fact that we are in middelivery of 130 F-86D jet fighters sold to Tito at $10,000. The White House spokesman decided to clinch and hang on: we are undertaking "an over-all review" of relations with Tito, and promise a "searching, microscopic look" at any *future* deals.

After the performance at Belgrade last month of the non-aligned nations, the rumor was circulating that Kennedy had had it, and Tito would be struck off the list, this time for keeps. For several years, the military have urged sending weapons to Yugoslavia. They reason that, when supplied with complicated military equipment, nations on the periphery of the Soviet Union will become militarily dependent on the supplier for repairs, spare parts, ammunition, etc. And of course, all military staffs like to get rid of obsolescent material to bolster arguments for new weapons. There will be plenty of discussion in Congress next season on the question of foreign aid to Tito.

QUINCY

Dr. Conant is a great social tinkerer. Ten years ago he advocated closing down all private schools. Twenty years ago he wanted 100% inheritance taxation. He is the scientist turned social scientist, which is all very well except when one reflects that we then become the elements and molecules in his test tubes.

BRIEFS: U.S. announced two months ago it would accept Cubans in armed forces; over 2,000 have volunteered, so far only 15 have been inducted; reason–hmm –slow processing. . . . "Metro"–centralized urban-sprawl government—reapproved by Dade County (Miami), Florida, by 104,573 to 96,380. . . . Navy currently has 4,000 deserters a year. . . . **Available from Senate Judiciary Committee: report on Communist handbook of instructions for riot against Free World police (ask for "A Communist Plot Against the Free World Police").** . . . Dallas TV station WFAA snuffed *The Untouchables* (its #1-rated show), ran anti-Communist film, *Communist Encirclement, 1961*; first hour response: 197 phone calls *pro*, 8 *contra*. . . . Result of divorce and separation: of 45 million American youngsters, 12 million living in institutions or in homes with solitary parent. . . . India, state of Uttar Pradesh, town of Alyash: in last fortnight's riots Hindus have killed a dozen Moslems, including six members of one family. . . . Since Jan. 1, 100,000 Europeans have left Algeria. . . . Since Tunisia got independence in 1956, 60-70,000 of its 200,000 Europeans have skipped; of the émigrés 30,000 were technicians. . . . Since Bizerte, 100 leaving daily, 25,000 on waiting list. . . . Feed bin at Breslau (Poland) zoo burned down fortnight ago when no one called the fire department; reason, says *Slovo Polskie*, no telephones. . . . **Reports from Mexico hint at right-wing support of current outbreak of anti-government activities.**

In September issue of AFL-CIO *Free Trade Union News*, brilliantly marshaled arguments against admission of Red China to UN (author, Jay Lovestone, of AFL-CIO International Affairs Dept.). . . . **New Goulart regime in Brazil canceling all of the Quadros austerity measures in domestic economy; cruzeiro has dropped from 240-to-$1 to 300-to-$1 since Quadros resigned, is expected to hit 350-to-$1 by December; wage rates rising 20-40%.** . . . At dinner in New York last week: gathering of 250 free-market advocates to honor Prof. Ludwig von Mises on his 80th birthday. Speakers included Professors Fritz Machlup, Hans Sennholz, Friedrich Hayek; writers Henry Hazlitt, Lawrence Fertig, Leonard Read.

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• Trends •

Inflation, Administration economists suddenly warn, may be lurking just around the corner. But if it is, they seem prepared to insist that the beast belongs to somebody else—say, the profit-mad business community.

The first member of the "private sector" to be fitted for the scapegoat's horns was, of course, the steel industry. It has escaped only because steel so far has done Washington's bidding; it has forgone price increases anticipated as the result of union-enforced wage increases, effective October 1, which hiked industry-wide labor costs more than $200 million. The steel episode provides insight into the Administration's method of "fighting" inflation.

The overture was seven months of kettledrum spending: in that span, the government's fiscal position was turned from one of modest surplus to a staggering $10.7 billion net deficit. The flutes of "easy money" trilled; the dance of the cheap dollar, suspended in recent years, was on again. And then, on August 22, the curtain rose in the Senate. Led by Gore of Tennessee, Liberals leaped up to warn that the wicked steelmakers were clearly preparing to raise prices—a deed which, in Gore's words, would catch the country "once more in the stifling coils of yet another inflationary spiral." As a last resort in warding off this catastrophe, Gore suggested, "steel prices can be brought under utility-type regulations."

Kennedy let this outburst sink in among the steelmakers, then shot off a round-robin letter to top producers. "A rise in steel prices," he wrote, "would force price increases in many industries and invite price increases in others. The consequences of such a development might be so grave—particularly on our balance of payments position—as to require the adoption of restrictive monetary and fiscal measures which would retard recovery, hold unemployment at intolerable levels, and hamper growth." Asserting that the industry "can look forward to good profits without an increase in prices," he implied that forbearance on the producers' part now would be rewarded by like Administration pressure on Dave McDonald's union during next year's wage negotiations.

The bargain, if a velvet-glove bludgeoning may be called that, was struck; columnist Joseph Alsop reflected the self-satisfied smiles in the White House when he described the "non-rise in steel prices . . . [as] probably the most important domestic development in the last six months."

It was important, all right, but not because it abated the danger of inflation. That danger exists because of the billions of deficit-dollars pumped into the economy by the Kennedy Administration—a pumping operation that seems likely to cause yet another red-ink budget next year. No, the importance of the steel deal lies mainly in the revelation of what the Administration may do to the mainspring of economic growth—corporate profits—to contain the inflation generated by its own loose fiscal policies.

Replying to Kennedy, U.S. Steel's Roger M. Blough debunked the Liberal folklore of "huge" steel profits and showed instead a tightening profit-squeeze in the nation's key industry. From 1940 to 1960, he noted, steel prices rose 174%—a healthy jump—but labor costs meanwhile were leaping a fantastic 322%. Moreover, worker productivity during this span—supposedly the measure of merited (non-inflationary) wage increases—improved by less than 40%. Measured as a percentage of sales, steel profits during the past 20 years have only once equalled the 8% level of 1940, and have averaged only 6½% in the past five years.

Declared Blough: "Whatever figures your advisers may elect to use . . . the simple fact is that the profit left in any company, after it pays all costs, is all that there is out of which to make up for the serious inadequacy in [tax] depreciation [allowances], to repay borrowings, to pay dividends, and to provide for added equipment. If the profit is not good enough to do these things, they cannot and will not be done."

So what it comes down to is the President saying a profit of at best eight cents on the sales dollar is "good enough," despite rising costs, and telling the steel industry to make the best of it. And what he tells steel, Blough pointedly suggested, he may next tell autos, rubber, chemicals, machinery, electrical products—the entire productive economy. Implicit in the Kennedy approach is the growth-stifling club of direct controls.

Will a firm hand also be applied to union wage demands? As a very last resort, perhaps. But with congressional elections upcoming, with the money supply swelling through deficit spending, it is difficult, to say the least, to imagine Labor Secretary Goldberg twisting Dave McDonald's arm, and telling his ex-boss to go easy.

Some observers already have coined a name for what looms—"profitless prosperity." While every other national statistic shot through the ceiling in the past decade, corporate profits remained almost static, and the odds are strongly against an upsurge. Quickening foreign competition, unchecked union wage-gouging, stiffer taxes—the squeeze can become a stranglehold. And an excuse, obviously, for Washington to step in and do the spending that the profit-starved "private sector" is not able to manage.

Should anyone suggest that the result isn't real economic growth, but a mirror-trick pulled off by an inflation-minded Administration, he will be referred to the government's Consumer Price Index. Right now, it stands at 128.0; next January, it should read about 103.0. A miraculous drop? No, just a quietly planned switch in the computing base from 1947-49 to 1957-59. For a forgetful public, that should disguise past damage to the dollar. And the future, of course, is somebody else's fault.

RICHARD WHALEN

• Abroad •

Paris. The government tried desperately to suppress the news of the latest audacity of the OAS (Secret Army Organization). While General Rouvillois was suspended from duty in one of the interminable investigations of army "loyalty," an OAS agent rifled his office and stole the sole copy of the secret plan for the defense of Paris against a coup. This plan contained the complete analysis of points deemed "strategic," details of all military and air installations, schedules for troop and police movements, underground communications, electricity controls, etc. The General Staff—some of whose members may themselves be infected with the OAS virus—must now undertake the long and costly job of preparing a new defensive strategy.

Lausanne. A. Bonnard writes in *La Nation de Lausanne*: "Everyone is very pleased that the Dutch government has pledged to the United Nations that the Papuans of New Guinea will vote on independence within four years. Doubtless there will be some difficulty explaining to them just what the issue is, since most of them have never been inside a school, and not a single one has ever graduated; and more than a fourth of the population has never seen a white man. Still, they manage to take good care both of themselves and of their enemies (whose heads they cut off and shrink, as everyone knows). . . . So in four years the Papuans of New Guinea will be independent, with a parliament, a Cabinet, ambassadors, a UN seat, and a national anthem (one of the national attributes that Switzerland is still missing). If the independence celebrations involve a few troubles, the successor, or successors, of Mr. 'H' will send some Blue Helmets, who will reduce the attempts at secession at the risk of reducing their own heads, and Holland will be pilloried for not having created a competent elite. . . . It will then be the turn of the Eskimos, who are reputed much more advanced than the Papuans, but who have forgotten up to now to demand self-determination from the Canadians."

Burgos, Spain. Of the several speeches made by General Franco at the three days' celebration of the 25th anniversary of his regime, the American press failed to take note of his address to Spain's military chiefs. His key point was that, conventional weapons having become "devalued" by modern armaments, Spain ought to be equipped with nuclear weapons. Franco made clear what he had in mind: "That is why our [1953, ten year] agreements with the United States will have to be studied again and renewed to meet the new situation."

Ankara. These columns have previously reported on the spread of the dread African horse sickness—which wipes out about 80% of the horses in an affected area—into the Near East, and its thrust toward Europe via Cyprus and Macedonia. Europe has apparently been saved by a counterattack in Turkey. The hero of the action was Dr. E. Moulton, sent by the UN's Food and Agriculture Organization. He produced the vaccine at a primitive laboratory 300 miles inland from Ankara. He had to teach a local carpenter to make the cages for the thousands of white mice required for vaccine production; to train villagers in the techniques of mouse breeding and hygiene; to arrange special heat for a bus to transport the brood mice (which could not live in unheated planes or trucks), and special electric power to substitute for the unsteady local supply. Dr. Moulton seems to have won; in 1960, 300,000 Turkish horses died from the disease; in the past six months, none.

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"It says 'to be continued.'"

Kiev. On October 5, two Dutch students traveling in the Soviet Union were convicted of spying. They did not deny the charge. When the judge demanded that they confess their regret, Low de Jager replied: "I was attracted, it is true, by the adventure, but that is an insufficient explanation. There is another factor—the Christian education that I received, and the Faith that I profess. I consider the Communist ideology to be atheist, and therefore hostile to Christianity. When a soldier fights for a just cause, and is taken prisoner, he must answer 'No!' to those who ask him if he regrets his acts."

Rangoon. On August 27, by adoption of a constitutional amendment, Burma became the first nation in the world to make Buddhism its state religion. Although this change goes counter to the injunction of modern Burma's Founding Father, General Aung San, it fulfills a long-held wish of Premier U Nu, whose piety is well known, and who wants to make Burma the religious center of world Buddhism. He argues that since government aims at the welfare of the people in this life, it should not neglect their welfare "in the inestimably long future existences." The non-Buddhist communities in Burma are naturally fearful of a possibly resulting discrimination in everything from government jobs and scholarships to taxes. The largely Christian Kachins and Chins, the Moslems in the south, and various pagan tribes may now be expected to join the demand for a decentralized federal system that has heretofore been pushed by the ethnically cohesive (though themselves Buddhist) Shan peoples.

• The Investor •

Four years of depression in the machine tool industry appear to have led one sizeable investment trust during the past three months to dispose of its long-held holdings in the leading company of the industry.

Should investors accept this decision as expert and follow suit? This same trust management sold Gillette in the low forties just before the super-blue blade started the shares in their upward journey to 140. This investment group has had many successes. The Gillette experience is cited merely to establish the fallibility of informed professionals. Blindly following the lead of investment trusts is no sure road to long-term capital growth, either over-all or in a particular instance.

The history of the machine tool industry is one of growth punctuated by violent explosion and severe contraction. The 1942 explosion, followed by decline, was repeated during the Korean emergency and again in 1955-56 by large expansion of private industry plant facilities. History, as well as a huge obsolete U.S. inventory of machine tools, indicates that another explosion will come. When? It could commence within the next 12 months, and it may run its course over a period of several years.

If we assume that the Kennedy Administration is successful in achieving an accelerated growth in our economy, our industries' productive facilities at some point will be operating at or close to capacity. At such time there will be few machine tools standing idle, and the urge to install substantially more productive machine tools will be great.

If, instead, we find ourselves in a semi-garrison state, taking some military action to counter the expanding influence of Communism in the world, the need for accelerated military build-up will require new machine tools in volume. Many of them, under such conditions, will be the new and highly expensive punch-card-controlled machines.

There seems to be more than a possibility, perhaps even a probability, that within the next few years the machine tool industry will again experience a boom. The leading machine tool company, Cincinnati Milling Machine Co., experienced a rise in sales from $19 million in 1939 to $104 million in 1942, and from $33 million in 1949 to $150 million in 1953. Under boom conditions, history suggests that it is not unlikely that sales could rise from the current level of about $127 million to as much as $300 million.

Despite the handicap of excess profits taxes during previous emergencies, earnings after taxes rose to new highs. It seems not unreasonable to suppose a repetition of this experience. Accelerated depreciation of new facilities during past emergencies permitted a large cash flow through sharply increased depreciation. As in the past, demand for machine tool shares during a period of rapidly rising earnings could bring radically higher prices for leading machine tool shares.

No one can predict the future with certainty. Nevertheless, in planning an investment program, it is important to formulate some general outline of future possibilities and to determine which seem more likely to occur. It is imprudent to go all out in any directing of investment funds. Conservative investing dictates some hedging against what seems unlikely, but with a weighting in favor of events which appear more likely.

Should a few corporation managements this fall anticipate a widespread rush to replace obsolete machine tools, they will attempt to beat the rush. After all, if a company decides it wants new tools, it doesn't want to wait for a year or more for delivery. Experience has demonstrated that national emergencies produce this kind of a rush for new tools.

If the reasoning explored in this presentation is accepted by only a few managements of major corporations, some upturn in machine tool orders may take place this fall. Perhaps this will not happen. However, the Berlin and United Nations crises are sufficiently dramatic to suggest that they will have an impact on the thinking of some managements.

Curiously, as I pointed out two weeks ago on this page, it has happened time and again that "the first shall be last and the last shall be first" in the market performances of stocks. What is happening today always seems as though it will persist. And it does—until something happens to change it.

It is human nature to want to own the shares which have moved upward over the recent past, and which may be still moving upward. Shares which have recently stood still or have declined tend to be avoided by most investors and speculators.

This human factor is often responsible for stock buyers being attracted to stocks which have already experienced the largest rises in price and consequently entail the greatest price risks. It takes an unusual and rather contrary investor to look ahead for more than a year and acquire unpopular stocks which possess exceptional potential for advances in price. The average stock buyer is apt to hold disappointing shares through their worse adversity, and disgustedly sell them well before changes bring about a radical change for the better.

Obviously, not all shares which have declined are attractive purchases or will show marked upturn. If a company's management has deteriorated, if an industry has lost its position in the economy, or if a stock's rise has been founded on illusory hopes, purchase of such a stock merely because it has declined will not prove profitable. To have a better than even chance in selecting a depressed stock demands knowledge of the industry, and of the particular company's management, as well as some reasonable assumptions about the climate in which the company is likely to operate in the next few years.

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